

Message Text

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ACTION EB-11

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FM AMCONSUL HALIFAX

TO SECSTATE WASHDC 582

INFO AMEMBASSY OTTAWA

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E. O. 11652: N/ A

TAGS: ENGR, CA

SUBJECT: REACTION OF NOVA SCOTIA PREMIER TO IMPOSITION OF FUEL
EXPORT CONTROLS.

1. IMMEDIATE REACTION TO FEDERAL GOVERNMENT ANNOUNCEMENT THAT
CONTROLS TO BE IMPOSED ON EXPORTS OF GASOLINE AND HEATING FUELS,
PREMIER GERALD REGAN OF NOVA SCOTIA TOLD PRESS LAST NIGHT THE
SHORT TERM CANADIAN RESTRICTIONS ON EXPORT OF REFINED PRODUCTS
CAN ONLY INHIBIT NOVA SCOTIA NS, NEGOTIATIONS FOR ADDITIONAL
REFINERIES IN THE PROVINCE. (PREMIER SAID RECENTLY HE HAS
BEEN NEGOTIATING WITH AS MANY AS SIX COMPANIES
REGARDING CONSTRUCTION OF REFINERIES AT CANSO STRAIT.
SHAHEEN NATURAL RESOURCES OF NEW YORK ALREADY ACTIVELY
ENGAGED IN CONSTRUCTION OF REFINERY THERE.)

2. PREMIER SAID DECISION DEMONSTRATED " A SINGULAR LACK OF
FORESIGHT BY THE GOVERNMENT OF CANADA, BECAUSE IT WAS IN SHARP
CONTRAST TO THE FEDERAL GOVERNMENT' S REACTION A YEAR AGO WHEN IT
APPEARED TO BE CONCERNED THAT NEW REFINERY CONSTRUCTION IN
ATLANTIC
PROVINCES COULD CREATE A GLUT ON THE CANDIAN MARKET".

3. MR. REGAN ADDED HOWEVER THAT HE WAS MORE CONCERNED ABOUT THE
EFFECT THE TEMPORARY FREEZE WOULD HAVE ON NEGOTIATIONS FOR
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ADDITIONAL REFINERIES WHICH WOULD BE BASED ON " AMERICAN NEED OF OIL PRODUCTS."

4. PREMIER SAID FEDERAL MINISTER OF ENERGY MACDONALD' S " FAILURE TO DISTINGUISH BETWEEN THE EXPORT OF DOMESTIC CANADIAN OIL SUPPLIES AND TRANSIT, MIDDLE EAST OIL BEING REFINED HERE FOR AMERICAN CONSUMPTION CAN PROVIDE ENCUMBRANCES THAT WOULD RESULT IN REFINERY DEVELOPMENTS BEING LOST BY NOVA SCOTIA AND NEWFOUNDLAND TO DEEP WATER CARIBBEAN PORTS."

5. IMPOSITION OF FREEZE REGAN DECLARED " IS UNFORTUNATELY TOO TYPICAL OF OTTAWA FAILING TO UNDERSTAND ATLANTIC PROVINCES GOVERNMENTS BEFORE TAKING ACTION". HE SAID THAT HE WILL MAKE REPRESENTATION TO OTTAWA THAT ACTION IS EXTREMELY DETRIMENTAL TO PROVINCES' DEVELOPMENT .

6. PREMIER SAID FREEZE WOULD IN NO WAY AFFECT THE SHAHEEN REFINERY AT CANSO BECAUSE IT (PRESUMABLY THE FREEZE) PROVIDES THE REFINERY WITH ALTERNATIVE MARKETS FOR ITS PRODUCTS.

7. SHAHEEN HIMSELF AGREED WITH THIS IN INTERVIEW HE GRANTED LOCAL PAPER SAYING FREEZE " ASSURES US OF DOUBLE SALES OF OUR PRODUCTS." IF FORCED TO HOLD BACK PRODUCTS IN CANADA " IT WILL GIVE US AUTOMATIC SALES WHICH WOULD RATHER HELP US".

8. SHAHEEN WENT ON TO SAY THAT IF CANADA NEEDS REFINED OIL PRODUCTS GOVERNMENT' S DECISION TO IMPOSE FREEZE WAS PRUDENT AND CORRECT. MANBEY

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